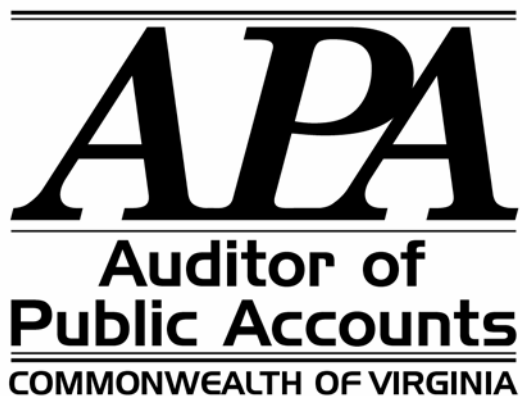


**DEPARTMENT OF LABOR AND INDUSTRY**

**REPORT ON AUDIT**

**FOR THE PERIOD**

**JULY 1, 2002 THROUGH JUNE 30, 2004**



## **AUDIT SUMMARY**

Our audit of the Department of Labor and Industry for the period July 1, 2002 through June 30, 2004, found:

- revenues and expenses are properly reported in the Commonwealth Accounting and Reporting System;
- compliance with significant laws and regulations; and
- management has established and maintained internal controls over the revenues and expenditures tested.

- TABLE OF CONTENTS -

	<u>Pages</u>
AUDIT SUMMARY	
AGENCY HIGHLIGHTS	1
FINANCIAL OPERATIONS	2
INDEPENDENT AUDITOR'S REPORT	3-4
AGENCY OFFICIALS	5

## AGENCY HIGHLIGHTS

The Department of Labor and Industry administers and enforces federal and state occupational safety and health laws and state labor laws to protect Virginia's workplaces through the following programs:

### Virginia Occupational Safety and Health (VOSH) Programs:

- *Occupational Safety and Health Compliance (VOSH Enforcement)* - ensures that employers comply with Virginia's regulations through worksite inspections and citation, compliance assistance, and response to reports of unsafe conditions. Businesses that demonstrate exemplary safety and health programs can be exempted from periodic inspection under the Virginia Voluntary Protection Program administered by VOSH Enforcement. VOSH Enforcement also issues permits for lead and asbestos removal projects and administers laws affecting their discharge.
- *Occupational Safety and Health Consultation* - helps employers better understand safety and health regulations through walk-through surveys, abatement advice, and safety and health training program development assistance. The consultation program allows employers to make corrections to potential hazards or violations voluntarily, without citations or penalties. Departmental staff also trains employers to identify and correct hazards.

Boiler and Pressure Vessel Safety Program - certifies and oversees private inspections for boilers and pressure vessels in workplaces, apartments, and all other establishments open to the public. They also oversee their installation, operation, and repair.

Labor and Employment Law Program - works with employers to ensure a person's right to work, payment of wages, and compliance with other labor laws, such as minimum wage and child labor laws, through workplace inspections and complaint investigation. The Department also mediates labor disputes and assists in civil or criminal court actions against employers to gain compliance.

Registered Apprenticeship Program - helps employers expand their workforce through a combination of on-the-job training and related classroom instruction. There are approximately 2,000 Virginia businesses participating in this program, which serves over 12,000 apprentices.

## FINANCIAL HIGHLIGHTS

The Department received approximately \$11.1 and \$11.5 million in actual funding in fiscal years 2003 and 2004, respectively. Chart 1 presents the Department's original and adjusted budget, as well as their actual funding collections for both fiscal years. General and federal trust funds make up the majority of the Department's funding and have remained relatively stable over time. The decrease in the original and adjusted budget for general funds for fiscal year 2003 reflects the executive management budgetary cuts made across all agencies.

Chart 1

### *Analysis of Budgeted and Actual Funding*

<u>Fund Type</u>	<u>Fiscal Year 2004</u>			<u>Fiscal Year 2003</u>		
	<u>Original</u>	<u>Adjusted</u>	<u>Actual Funding</u>	<u>Original</u>	<u>Adjusted</u>	<u>Actual Funding</u>
General	\$ 6,440,598	\$ 6,648,242	\$ 6,648,242	\$ 7,101,510	\$ 6,471,766	\$ 6,471,766
Special revenue	1,155,409	1,155,409	801,671	592,628	980,987	712,945
Federal trust	4,740,170	4,740,170	4,066,928	4,553,932	4,553,932	3,875,154
Total	<u>\$12,336,177</u>	<u>\$12,543,821</u>	<u>\$11,516,841</u>	<u>\$12,248,070</u>	<u>\$12,006,685</u>	<u>\$11,059,865</u>

Chart 2 reflects the Department's actual expenses by program as compared to the program's original and adjusted budget. The Department spent approximately \$11 and \$11.5 million on programs during fiscal years 2003 and 2004, respectively. Nearly 80 percent of these expenses were for payroll and related employee benefits each year.

Chart 2

### *Analysis of Budget to Actual Expenses by Program*

<u>Program</u>	<u>Fiscal Year 2004</u>			<u>Fiscal Year 2003</u>		
	<u>Original</u>	<u>Adjusted</u>	<u>Expenses</u>	<u>Original</u>	<u>Adjusted</u>	<u>Expenses</u>
Administration and support services	\$ 3,946,032	\$ 4,018,676	\$ 3,553,953	\$ 4,175,048	\$ 3,862,190	\$ 3,410,921
Executive management	-	-	-	(521,798)	-	-
Industrial development services	639,989	709,989	702,283	665,672	632,067	611,960
Regulation of business practices	688,402	713,402	700,551	817,998	725,511	700,027
Regulation of individual safety	6,602,172	6,622,172	6,111,492	6,631,843	6,342,961	5,839,398
Regulation of structure safety	459,582	479,582	468,048	479,307	443,956	423,491
Total	<u>\$12,336,177</u>	<u>\$12,543,821</u>	<u>\$11,536,327</u>	<u>\$12,248,070</u>	<u>\$12,006,685</u>	<u>\$10,985,797</u>



# Commonwealth of Virginia

**Walter J. Kucharski, Auditor**

**Auditor of Public Accounts  
P.O. Box 1295  
Richmond, Virginia 23218**

April 15, 2005

The Honorable Mark R. Warner  
Governor of Virginia  
State Capital  
Richmond, Virginia

The Honorable Lacey E. Putney  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

## INDEPENDENT AUDITOR'S REPORT

We have completed an audit of the **Department of Labor and Industry** for the period July 1, 2002 through June 30, 2004. We conducted our overall review in accordance with the standards for performance audits set forth in Government Auditing Standards, issued by the Comptroller General of the United States.

### Objectives

Our objectives for the audit of the Department of Labor and Industry were to determine:

- that revenues and expenditures are properly reported in the Commonwealth Accounting and Reporting System;
- compliance with significant laws and regulations; and
- that management has established and maintained internal controls over the revenues and expenditures tested.

### Audit Scope and Methodology

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Department of Labor and Industry's operations. We also tested transactions and performed such other auditing procedures as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances:

Revenues  
Expenses, including payroll

We gained an understanding of the overall internal controls, automated and manual, sufficient to plan the audit. We considered control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the Department of Labor and Industry's controls were adequate, had been placed in operation, and were being followed.

Management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Our audit was more limited than would be necessary to provide assurance on internal control or to provide an opinion on overall compliance with laws, regulations, contracts, and grant agreements. Because of inherent limitations in internal control, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of internal control to future periods is subject to the risk that the controls may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

#### Audit Conclusions

We found that the Department of Labor and Industry properly stated, in all material respects, the revenues and expenses recorded in the Commonwealth Accounting and Reporting System. We noted no matters involving internal control and its operation that we considered necessary to bring to management's attention. The results of our tests of compliance with applicable laws and regulations disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information and use of the Governor and General Assembly, management, and citizens of the Commonwealth of Virginia and is a public record.

#### EXIT CONFERENCE

We discussed this letter with management at an exit conference held on May 23, 2005.

AUDITOR OF PUBLIC ACCOUNTS

JBS:kva

DEPARTMENT OF LABOR AND INDUSTRY

As of June 30, 2004

C. Ray Davenport  
Commissioner

Edward A. Hegamyer  
Assistant Commissioner

Nancy M. Sanders  
Finance Director